

BOSTON GAS COMPANY
D.T.E. 03-40

FIRST SET OF INFORMATION REQUESTS OF THE DEPARTMENT OF
TELECOMMUNICATIONS AND ENERGY TO
BOSTON GAS COMPANY

Pursuant to 220 C.M.R. § 1.06(6)(c), the Department of Telecommunications and Energy (“Department”) submits to Boston Gas Company (“Boston Gas” or “Company”) the following Information Requests:

INSTRUCTIONS

The following instructions apply to this set of Information Requests and all subsequent Information Requests issued by the Department to the Company in this proceeding.

1. Each request should be answered in writing on a separate, three-hole punch page with a recitation of the request, a reference to the request number, the docket number of the case and the name of the person responsible for the answer.
2. Do not wait for all answers to be completed before supplying answers. Provide the answers as they are completed.
3. These requests shall be deemed continuing so as to require further supplemental responses if the Company or its witness receives or generates additional information within the scope of these requests between the time of the original response and the close of the record in this proceeding.
4. The term “provide complete and detailed documentation” means:

Provide all data, assumptions and calculations relied upon. Provide the source of and basis for all data and assumptions employed. Include all studies, reports and planning documents from which data, estimates or assumptions were drawn and support for how the data or assumptions were used in developing the projections or estimates. Provide and explain all supporting work-papers.

5. The term “document” is used in its broadest sense and includes, without limitation, writings, drawings, graphs, charts, photographs, phono-records, microfilm, microfiche, computer printouts, correspondence, handwritten notes, records or reports, bills, checks, articles from journals or other sources and other data compilations from which information can be obtained and all copies of such documents that bear notations or other markings that differentiate such copies from the original.
6. If any one of these requests is ambiguous, notify the Hearing Officer so that the request may be clarified prior to the preparation of a written response.
7. Please file one copy of the responses with Mary Cottrell, Secretary of the Department and on all parties; also submit one (1) copy of the responses to John J. Geary, Hearing Officer, one (1) copy of the responses to Sean Hanley, Assistant Director - Rates and Revenue Requirements Division, one (1) copy of the responses to Paul E. Osborne, Assistant Director - Rates and Revenue Requirements Division, and one (1) copy to Andreas Thanos, Assistant Director, Gas Division.
8. In addition to filing, all non-proprietary responses should be submitted by e-mail to dte.efiling@state.ma.us and to the e-mail address of any party required to be served.

INFORMATION REQUESTS

- DTE 1-1 Refer to the pre-filed testimony of Mr. Bodanza at 38. Over what period is the PBOP transition obligation presently being amortized? If the current amortization period is less than the amortization period proposed in this proceeding, please explain why the Company proposes to shorten the PBOP amortization period.
- DTE 1-2 Refer to the pre-filed testimony of Mr. Bodanza at 35 and 39. The projected FAS 87 pension expense for 2003 is \$17 million. Please discuss the why the Company seeks an additional \$1 million in its cost of service for pension expense (\$18 million).
- DTE 1-3 Refer to the pre-filed testimony of Mr. Bodanza at 42. Please discuss whether the benefit to customers that the Company suggests arises from pre-funding of the pension plan is realized only if pension plan assets earn a return which is greater than the Company’s cost of capital.

- DTE 1-4 Refer to the pre-filed testimony of Mr. McClellan at 17-18. Please explain why the 16.60 percent allocation factor was not applied to the sales proceeds less the net book value of building and equipment, and less the book value of land.
- DTE 1-5 Refer to the pre-filed testimony of Mr. McClellan at 30. Has the Company made an adjustment to the reserve for accumulated depreciation to recognize the proposed test year depreciation expense adjustment of \$2,435,632? If not, please explain why no such adjustment has been made.
- DTE 1-6 Refer to the pre-filed testimony of Mr. McClellan at 32. Has the Company made an adjustment to the reserve for accumulated amortization to recognize the proposed test year amortization adjustment of \$1,395,056? If not, please explain why no such adjustment has been made.
- DTE 1-7 Refer to Exhibit KEDNE/PJM-2, at 35 of 41, line 12. Has the amortization of excess deferred income taxes been grossed-up for income taxes?
- DTE 1-8 Please provide a table of contents for the corrected pre-filed testimony of Mr. Moul.
- DTE 1-9 Please provide a red-line/strike-out version (or a list with page and line numbers) of the corrected prefiled testimony of Mr. Moul showing each change from Mr. Moul's original pre-filed testimony.
- DTE 1-10 Refer to Schedule 1 of Mr. Moul's corrected pre-filed testimony. Please provide all workpapers, calculations, assumptions, etc., that Mr. Moul used to derive the preferred stock cost rate of 6.42 percent and common equity cost rate of 12.18 percent.
- DTE 1-11 Please provide the geographic operations areas for each of the companies included in Mr. Moul's barometer group.
- DTE 1-12 Refer to note 5 of Schedule 2 of the corrected pre-filed testimony of Mr. Moul. Please review this footnote and confirm whether the definition contained therein has been accurately described.
- DTE 1-13 Refer to Schedule 2, at 1 of 2 of the corrected pre-filed testimony of Mr. Moul. The descriptive text for note 6, "Gross Cash Flow Interest Coverage" and note 7, "Common Dividend Coverage" are not provided on page 2. Please provide the text for notes 6 and 7.

- DTE 1-14 Refer to Schedules 2, 3, and 4 of the corrected pre-filed testimony of Mr. Moul. Please provide corresponding data for 2002.
- DTE 1-15 Refer to the corrected pre-filed testimony of Mr. Moul at 14, line 14. Please provide all workpapers, calculations, assumptions, etc., upon which Mr. Moul relied to determine that the Company's capital expenditure estimates over the next five years will be \$496 million, and that the Company's net utility plant will increase over the same period to \$735 million.
- DTE 1-16 Refer to the corrected pre-filed testimony of Mr. Moul at 17, lines 6-7. Please provide the sources of the gas utility business data provided for each company in the barometer group. As part of this response provide to the extent available the corresponding data for year 2002.
- DTE 1-17 Refer to the corrected pre-filed testimony of Mr. Moul at 19. Please cite the source of the data used in the table.
- DTE 1-18 Refer to the three average dividend yield calculations provided in the corrected pre-filed testimony of Mr. Moul at 27-28. Please explain why Mr. Moul selected the highest dividend yield of 5.11 percent as the best representation of current capital costs.
- DTE 1-19 Refer to Schedule 6 of the corrected pre-filed testimony of Mr. Moul. Please clarify whether the ending date of the 5-year and 10-year EPS data is for 2001 or 2002. If the ending year for this data is 2001, please update the table with data for 2002.
- DTE 1-20 Refer to the corrected pre-filed testimony of Mr. Moul at 29-30. Did Mr. Moul exclude negative growth rate data from his DCF analysis? If so, please describe the excluded data.
- DTE 1-21 Refer to the corrected pre-filed testimony of Mr. Moul at 50, line 19. Please provide all workpapers, calculations, assumptions, etc., used to derive the 1.42 percent size premium identified by Mr Moul.
- DTE 1-22 Please provide case names, docket numbers and copies of all testimony that Mr. Moul has ever submitted in Massachusetts concerning the cost of capital.
- DTE 1-23 Please provide a worksheet showing the following data for the Company and each individual company included in Mr. Moul's barometer group for the years 1998 through 2002.

- a) year-end total revenues
- b) percentage of revenues derived from gas distribution operations
- c) year-end long-term debt
- d) year-end common equity
- e) debt-equity ratio
- f) year-end total capital
- g) operating margin
- h) interest coverage ratio
- I) net cash flows
- j) year-end short-term debt

As part of this response, please provide the usage and maturity dates of the short-term debt of Boston Gas.

- DTE 1-24 Refer to Exh. KEDNE/PJM-2, at 29, line 4. Please explain the references to “line 7” and “line 5.” Was this intended to refer to lines 3 and 2 respectively?
- DTE 1-25 Refer to Mr. Bodanza’s pre-filed testimony at 10. Please describe the major cost-containment measures identified by the Company as part of its efforts to achieve “best practices.” These response should include, but not be limited to, a detailed description of cost reduction programs, improvements, and administrative efficiencies.
- DTE 1-26 Refer to Exh. KEDNE/PJM-2, at 28, line 9. Please reconcile the negative \$20,000,642 figure pension expense with the \$18,085,435 figure for pension operations and maintenance expense reported in Exh. KEDNE/PJM-2, at 12, line 2.
- DTE 1-27 Refer to Exh. KEDNE/PJM-2, at 28, line 10. Please define the term “OPEB” and explain in detail what the corresponding figure of negative \$6,198,509 represents.
- DTE 1-28 Refer to Exhibit KEDNE/AEL-2, at 6 of 9. Provide all workpapers, calculations, assumptions, etc., associated with:
- a) the average January and December degree days per day figure identified on line 4;
 - b) the average January and December heating increment identified on line 5;

- c) the base use per month figure identified on line 8; and
- d) the average gross margin per million British thermal units (“MMBTU”) figure identified on line 13.

DTE 1-29 Refer to Exh. KEDNE/AEL-2, at 7. Provide all workpapers, calculations, assumptions, etc., associated with the \$543,219 revenue reduction for customer charges.

DTE 1-30 Refer to Exh. KEDNE/AEL-1, at 12.

- a) Please describe in detail the nature of the programming error that resulted in faulty late payment charges. On what date was the programming error discovered? On what date was the programming error corrected?
- b) Identify the time period in calendar year 2002 for which the Company has accurate actual late-payment charge figures.
- c) Explain how the \$479,721 late-payment charges total was calculated.
- d) Discuss why the Company chose the actual late-payment charges incurred from July 2001 to June 2002 as a proxy for annual late payment charges in 2002.
- e) Discuss whether the Company took any steps to recover the lost late payment charges since the error was identified? If so, describe the steps. If no, why not?

DTE 1-31 Refer to Exh. KEDNE/AEL-1, at 12. Please provide a table comparing actual late-payment charges incurred by the Company over the twelve-month period of July 1st to June 30th for the years 1997 through 2002.

DTE 1-32 Refer to Exh. KEDNE/AEL-1, at 12. Please provide a table comparing actual late-payment charges incurred by the Company over the twelve-month period of January 1st to December 31st for the years 1997 through 2001.